

DRAFT:JGO:bao (7 Aug 1974)

SUBJECT: Proxmire Amendment to Various Appropriation Bills
Restricting Transfer of Funds From Designated Agencies
to the Central Intelligence Agency

H. R. 15572 making appropriations for the Department of HUD;
for space, science, veterans, and certain other independent executive
agencies, boards, commissions, corporations, and offices for the fiscal
year ending June 30, 1975, and for other purposes, was amended in
Subcommittee by the Chairman, Senator Proxmire, as follows:

Sec. 406. No funds appropriated by this
Act may be transferred to, or expended by,
or on behalf of the Central Intelligence Agency.

On Monday, August 5, H. R. 15572 and the subject amendment were
debated on the floor of the Senate, see Congressional Record, pp. S 14334-
14340. On motion by Senator McClellan, the bill was recommitted to the
Appropriations Committee. None of the monies contained in H. R. 15572
are for the benefit of the Central Intelligence Agency as was stated in

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An appreciable amount of Government business is handled under
the authority of the Economy Act of 1932, (31 U. S. C. A. 686) and related
sections. The Economy Act authorizes the direct transfer of funds either by advance

or by reimbursement where procurement, contracting, services or facilities can be provided more cheaply by another organ of Government than can be accomplished by a particular agency. A provision such as Section 406, set forth above, if appended to each appropriation act passed by the Senate could have the effect of denying Economy Act transfers between the Central Intelligence Agency and all other organs of Government.

Attached hereto is a total of Economy Act transfers and a listing of transfers from other agencies to the Central Intelligence Agency, and from the Central Intelligence Agency to other agencies under that authority, for Fiscal Year 1974.

OGC 74-0228

7 February 1974

MEMORANDUM FOR:

Mr. Warner

SUBJECT:

The Economy Act (31 U.S.C. 686)

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1. As you know, a World War II amendment to the Economy Act provided that the Department of Army and the Navy Department, among a few other agencies of the Government, could place orders for materials, supplies, etc., by contract.

2. The question arises, however, as to how to treat the Air Force, which was not in existence at the time of the above amendment to the Economy Act.

3. Mr. Wirtz (386-3904) in the Office of General Counsel, Government Accounting Office, advised the undersigned that they have never resolved this question. He thought the assumption that the Air Force should have the same authority as the Army and Navy under the Economy Act was probably valid, but added that he could not be certain how GAO would decide this question, if requested. It was his opinion that the Air Force did not at the present time have authority to place orders by contract under the Economy Act since the Air Force was not expressly provided with such authority.

4. Mr. Stan Nissell (11-75387), Deputy Assistant General Counsel (Logistics), Department of Defense, informed me that the Defense Department by administrative fiat has provided the Air Force with the same authority as the Army and Navy for purposes of Economy Act transfers. He was surprised that Mr. Wirtz had taken a different position in view of the fact that the Defense

Department has treated the Air Force as a equal partner under the Economy Act for the last twenty-five years or so.



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Assistant General Counsel

JGB:ks

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